**AB Amber Grid**

**REMUNERATION POLICY FOR THE CHIEF EXECUTIVE OFFICER AND BOARD MEMBERS**

Introductory Part

The remuneration for management bodies of the Company shall be based on the principle that the level of remuneration and the procedure for its payment must promote the creation of long-term and sustainable value for the Company and the EPSO-G Group as a whole; be in line with the workload of the Company's individual bodies and their members; be in line with the current market situation as far as possible, i.e. be competitive with the remuneration offered to professionals in the relevant field on the labour market; ensure that the management bodies are compensated for the responsibility they take on; ensure the independence of the independent members of the Board; and promote the attraction of high-level professionals in their fields for the management of the Company.

The remuneration for activities carried out in the management bodies of the Company must take into account the fact that the Company is an enterprise of strategic importance for national security, which means that the management bodies of the Company deal with complex issues related to strategic objectives, carry out activities of public importance and manage high-value infrastructure and assets. Achieving the strategic objectives requires the highest calibre of professionals to ensure the proper functioning of the Company and the effective achievement of the Company's objectives, and in order to attract professionals in their field to take up positions in the management bodies of the Company competitive remuneration must be set in line with market conditions and industry practice.

In addition, the general conditions of employment and remuneration of employees shall be taken into account in the recruitment of the Chief Executive Officer of the Company. The remuneration of the Chief Executive Officer of the Company shall be based on the successful achievement of the Company's strategy and objectives.

As the Company is a subsidiary of the state-controlled company UAB EPSO-G, the remuneration conditions regulated by legal acts and the recommendations of the Public Enterprise Governance Coordination Centre are taken into account.

**Purpose:** To establish common, clear and transparent principles and a remuneration system for the Company's Chief Executive Officer and members of the Board based on which the Company's operating expenses can be managed effectively while at the same time creating motivational incentives for the Chief Executive Officer and members of the Board of the Company to contribute to the achievement of the Company's mission, vision, values and objectives.

**Scope:** In accordance with this Policy, the competent bodies of the Company shall take appropriate decisions on the level of remuneration of the Company's Chief Executive Officer and Board members, on the annual operating budget of the Board and on additional expenses of the Board for ensuring its activities.

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| **Policy** | Remuneration Policy for the Chief Executive Officer and Board Members of AB Amber Grid, including all annexes, amendments and supplements (if any). |
| **RNC** | Remuneration and Nomination Committee operating at the Group level |
| **Company** | AB Amber Grid |
| **Company Manager** | CEO |
| **EPSO-G** | UAB EPSO-G – parent undertaking of the Group |
| **Group** | Group of companies controlled by EPSO-G, consisting of EPSO-G and its directly and indirectly controlled companies. |
| **Monthly salary** | Basic remuneration of the Company’s Chief Executive Officer is set out in the employment contract and paid monthly. |
| **Non-financial rewards** | Non-monetary benefits (e.g., extra days off, working from home) and emotional rewards for employees (including the Company's CEO) that are created by targeted employer actions that improve employee well-being, increasing transparency and openness of the organisation as well as the empowerment and engagement of employees. |
| **Financial incentives** | Remuneration paid at the initiative of the employer to employees (including the Company's CEO), depending on the Company's performance and the results of the performance evaluation of the Company's CEO. |
| **Additional benefits** | Financial and non-financial measures to provide additional social care and motivation for employees (including the Company's CEO). |
| **Position level** | Reference unit used to evaluate the position of the Company's CEO, indicating the comparative weight of the position in relation to other similar positions on the labour market. |
| **GMS** | General Meeting of Shareholders |

1. General provisions
2. Terms and abbreviations used
   1. The Policy shall be drafted by the CEO of the Company. Taking into account the recommendation of the GMS, the Board of the Company shall analyse and evaluate the draft Policy and shall submit to the GMS for approval, together with the feedback and proposals. The GMS shall approve an updated version of the Policy at least every 4 (four) years. When amending the Policy, all remuneration reports approved since the last decision of the GMS regarding the Policy shall be submitted to the GMS.
   2. A report on the remuneration paid under this Policy shall be prepared annually. The preparation of this report shall be the responsibility of the CEO of the Company. The remuneration report shall be approved by the Board of the Company at the meeting at which the annual report of the Company is approved (the remuneration report may form part of the annual report). The report approved by the Board of the Company shall be submitted to the ordinary GMS which shall decide whether to approve the remuneration report. The approval of the GMS shall not relieve the Board of the responsibility for the adopted decision. The CEO of the Company shall ensure that the remuneration report is posted on the Company's website.
   3. The RNC shall:
      1. make recommendations on the appointment of managers of companies of the Group, on standard forms of employment contracts of managers and on the terms and conditions of contracts concluded with the nominated managers, including the remuneration and/or the range of the remuneration level;
      2. make recommendations on the remuneration policy for top level managers and Board members of the Group;
      3. make recommendations on the structure and rate of the remuneration, key performance evaluation criteria and review of remuneration for managers of companies of the Group in implementing the Group's remuneration, performance evaluation and self-development policy;
      4. assess the level and structure of remuneration of the members of collegial management bodies of the Group and monitor the implementation of the Guidelines for determining remuneration for members of the corporate bodies of EPSO-G and EPSO-G Group companies (hereinafter – the Remuneration Guidelines) and, on request of the GMS, may make recommendations on the Remuneration Guidelines.
   4. This Policy shall be posted by the Company on its website. The date of the GMS at which the Policy was adopted, the voting results and the date of the GMS shall be published together with the Policy, in accordance with the Law of the Republic of Lithuania (hereinafter – the RL) on Companies (hereinafter the LC).
   5. The Policy of Remuneration, Performance Evaluation and Self-development of Employees of the Group shall apply to the CEO of the Company unless otherwise established by this Policy.

3. Principles and system of remuneration for the CEO of the Company

* 1. The remuneration system of the Chief Executive Officer of the Company shall consist of the following components: (i) Monthly Salary; (ii) allowances provided for in the Labour Code of the Republic of Lithuania, internal regulations and collective agreements of the Company; (iii) Financial Incentives; (iv) project incentives; (v) one-off bonuses for outstanding performance and implementation of innovations; (vi) Fringe Benefits; and (vii) Non-financial Rewards.
  2. The basis for determining the Monthly Salary of the Chief Executive Officer of the Company shall be the position level of the Company's Chief Executive Officer approved by the Company's Board. In assessing and determining the level of position of the Company's CEO the Group shall apply the method that is recognised in the international practice and widely used on the Lithuanian market.
  3. The starting point for the monthly salary of the Company's CEO shall be determined by assessing the general level of remuneration of managers of the state-owned enterprises of a similar size and/or strategic importance, taking into account the data of an independent salary survey and market trends, and taking into account recommendations of the Government of the Republic of Lithuania on the remuneration of executives of state-owned enterprises. The monthly salary of the Company's Chief Executive Officer shall be determined and changed by decision of the Board taking into account the experience, competence and performance of the Company's Chief Executive Officer.
  4. The Board of the Company, acting in accordance with the Policy of Remuneration, Performance Evaluation and Self-development of Employees of EPSO-G Group shall set the goals and criteria for the quality of performance for the CEO of the Company, evaluate their achievement and allocate Financial Incentives.
  5. The goals for the CEO of the Company must be formulated in such a way that:
     1. they reflect the key and most important results for the Company;
     2. it is clear what and by when the CEO needs to achieve;
     3. they are measurable and have indicators that allow for maximum objectivity in discussing and assessing their achievement;
     4. qualitative and complex goals can be broken down into separate stages to make them as measurable and objective as possible, with clear expectations, timelines, etc. for each milestone.
  6. At the end of the calendar year, the Board of the Company shall carry out the evaluation of the achievement of the goals of the Company’s CEO, the values and the quality of the performance in accordance with the established criteria. The achievement of the goals shall be measured as a percentage, where 0 means that the goal has not been achieved at all, and 100% and more means that the goal has been achieved in full. The overall result of achievement of goals of the Company’s CEO shall be determined by assessing the magnitude and weighting of the achievement of individual goals. If the overall performance of goals is below 49%, it shall be recommended to consider the achievement of goals as not meeting expectations. Where the overall result of achievement of goals is between 50% and 69%, it shall be recommended to consider the achievement of goals as partially meeting expectations. When the overall result of achievement of goals is from 70% to 100%, it shall be recommended to consider the achievement of goals as meeting expectations. Where the overall result of achievement of goals exceeds 100%, it shall be recommended to consider it to exceed expectations.
  7. Taking into account the result of the achievement of goals of the Company's CEO, the assessment of values and quality of performance, the Board of the Company shall determine whether, during the relevant calendar year, the performance of the Company's CEO (i) exceeded expectations, (ii) met expectations, (iii) partially met expectations, or (iv) did not meet expectations.
  8. Financial incentives shall be paid having regard to the achievement of the Company's objectives, financial performance and financial capacity the Company. If the Company can grant a Financial Incentive to its CEO, it shall be considered whether the assessment of performance of the Company’s CEO meets the following representative criteria: (i) the results of the evaluation of the achievement of the Company's objectives by the CEO of the Company, (ii) the assessment of the values of the Company’s CEO, and (iii) the results of evaluation of the quality of performance of the Company’s CEO. If the Company's financial performance is unsatisfactory, or if the Company's objectives are achieved less than by 80%, a Financial Incentive shall not be granted. The Board of the Company may decide to reduce the minimum threshold for the achievement of the Company's objectives set for the Financial Incentive due to objective and reasonable circumstances, after assessing the impact of such circumstances on the Company's performance. The performance of employees of the Group companies operating in a competitive environment (including managers of Group companies) may be evaluated and the Financial Incentive may be granted based on criteria for the evaluation of employees (including managers of the Company) and the award of the Financial Incentive in accordance with criteria for the evaluation of employees (including the Company's CEO) and the Financial Incentive, such as (but not limited to) level of revenue, profitability, implementation of projects on time and within the budget, which enable operation in the market and are consistent with the objectives of the Policy. The performance evaluation and the award of the Financial Incentive may occur at different intervals depending on the nature of the employee's activities and responsibilities.
  9. The Chief Executive Officer of the Company shall not receive a remuneration based on shares of the Company.
  10. As part of good social responsibility and transparency practices, the Company shall regularly publish the information on the average remuneration of the Company's Chief Executive Officer, in accordance with the Policy on the Transparency and Communication of Companies of EPSO-G Group.

4. Remuneration paid to the Board members of the Company

* 1. The remuneration for activities on the Board of the Company may be paid only to such members of the Board of the Company who meet the criteria set out in the applicable legislation of the Republic of Lithuania and the Remuneration Guidelines. The remuneration shall be paid in accordance with the principles set out in the Remuneration Guidelines and the relevant resolution of the Company's GMS setting the amount of the remuneration for Board activities.
  2. The remuneration shall be paid only for service on the Board of the Company, i.e. no payment shall be made in the event of resignation, expiration of term of office or removal from office of a member of the Board, but remuneration shall be paid to a member of the Board in proportion to the period of time for which the member of the Board has served as a member of the Board, provided that if a member of the Board resigns, his/her term of office expires or he/she is removed from office before the end of the relevant month for which remuneration is payable to the Board member.
  3. If a member of the Board of the Company is elected the Chairman of the Board of the Company, or a member of the Board of the Company is removed/resigns as a chairman of the Board, and/or a civil servant is elected or removed/resigns as a board member of a collegial body of another SE/SOE or ME/MOE[[1]](#footnote-2), the remuneration of such member of the Board of the Company shall be subject to change without a separate decision of the GMS of the Company, taking into account the remuneration levels of the members of the Board of the Company as determined by the GMS, which depend on the positions held by members of the Board of the Company.
  4. The budget of the Company's Board shall be allocated in accordance with the Remuneration Guidelines for the Company's additional expenses to ensure the functioning of the Board.
  5. The budget of the Company's Board for additional expenses of the Company to ensure the functioning of the Board shall be allocated in accordance with the Remuneration Guidelines.
  6. The fixed monthly salary paid to the members of the Board of the Company shall not depend on the financial or non-financial performance of the Company. No financial incentives or other bonuses shall be paid to members of the Board of the Company. The Board members of the Company shall also not receive any share-based payment awarding shares of the Company.

5. Contracts concluded with the CEO and Board members of the Company

1. Atsakomybės ir nuostolių atlyginimo principai

*Employment contract with the CEO of the Company*

* 1. As provided for in the LC, the Chief Executive Officer of the Company shall have a fixed-term employment contract for a term of 5 (five) years. The same person may not be the CEO of the Company for more than 2 (two) consecutive terms.
  2. The terms and conditions of the employment contract concluded with the Chief Executive Officer of the Company shall be approved by the Board of the Company, taking into account the recommendation of the GMS.
  3. The employment contract of the Company's Chief Executive Officer may be terminated without notice by dismissal in accordance with the provisions of the Law on Companies. In the event of termination of the employment contract, the Chief Executive Officer of the Company may, by decision of the Board, be paid a severance pay, except in cases where the removal of the Chief Executive Officer of the Company is due to the Chief Executive Officer's fault or where the employment contract is terminated on the Chief Executive Officer's own initiative and without important reasons. The amount of the severance pay shall be set out in the employment contract concluded with the Chief Executive Officer of the Company, taking into account the recommendation of the GMS, which may be provided either separately or through the adoption of a standard form of the employment contract concluded with the Chief Executive Officer.
  4. The employment contract of the Company’s CEO shall not contain arrangements on supplementary pension or early retirement.

*Contracts with the Board members of the Company*

* 1. Before taking up office on the Board, members of the Company's Board of Directors shall enter into agreements regarding their activities on the Board, setting out their rights, duties and responsibilities. The standard terms of the agreements with the members of the Board shall be approved by the GMS.
  2. A member of the Board may resign before the end of his/her term of office by giving not less than 14 (fourteen) days' written notice to the Company. A member of the Board may also be removed from his/her position as a member of the Board by a decision of the GMS In the event of the resignation of a member of the Management Board, as well as in cases where a member of the Management Board is removed from his/her position, the member of the Board shall be accountable to the Board in accordance with provisions of paragraph 4.2 of this Policy.
  3. Agreements with the Board members of the Company shall not contain any arrangements on supplementary pensions or early retirement.

1. *SE – state enterprise, SOE – state-owned enterprise, ME – municipal enterprise, MOE – municipality-owned enterprise* [↑](#footnote-ref-2)